

2009-2010

# ANNUAL ACCOUNTABILITY REPORT



*"Moving  
South Carolina  
Forward"*

**Office of the  
State Treasurer**

**Converse A. Chellis III, CPA**  
*State Treasurer*

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## EXECUTIVE SUMMARY

The mission of the State Treasurer's Office is:

*"To serve the State of South Carolina by managing its financial assets in ways that maximize value and promote the best interests of its citizens. To this end, we strive to be good stewards of the public trust by performing our responsibilities under the highest standards of accountability, service, honesty and integrity."*

We have been dedicated to the preservation of both capital and public trust through efficient and conservative management of South Carolina's cash resources. The Office continues to operate with five primary divisions: Treasury Management; Debt Management; Investments; Unclaimed Property Program; and College Savings Programs.

During the past year, some accomplishments of the State Treasurer's Office include:

**Protecting our State's assets.** The State Treasurer's Office worked closely with members of the General Assembly to actively pursue a strategy that would enable the State to safeguard its coveted high credit rating. The Office presented information along with a specific plan to the rating agencies with regard to current and future legislation that would strengthen the State's financial status.

**Unclaimed Property advances.** Increased the amount of unclaimed funds remitted to the State by fifteen percent through compliance enforcement.

**Investments.** Investment portfolio outperformed the benchmarks of 90-day Treasury Bills and Federal Funds by 2.83% and 2.80% respectively while the Local Government Investment Pool (LGIP) earned an average rate of .48% compared to the average 90-day T-Bill benchmark rate of .15%. The BidSC Program quarterly CD auctions generated increased earnings of \$218,679 for the State.

**Debt Management.** Assisted nine institutions and agencies in financing \$988.54 million through fifteen bond and master lease transactions. The Office was instrumental in the development of legislation that supported economic development incentives for the Boeing project. Bonds for the project were issued at a true interest cost of 3.3%, one of the lowest borrowing cost transactions in modern

state history. The Office saved over \$5 million in interest on borrowing costs due to sustained credit ratings.

**Treasury Management.** The Office successfully increased the number of electronic payments while reducing paperwork and costs. By increasing electronic vendor and EFT payments to 46% of total payments and expanding the procurement card program, the Office can now process disbursements within 24 hours of receipt. The amount of manual deposits is decreasing due to agencies submitting deposits through SCEIS. We continue to work closely with banks to ensure that the most efficient and effective banking services are being utilized by all state agencies.

**Future Scholar College Savings Program.** Accounts increased by 6% over the past fiscal year to 84,568. The Program's Direct Program for South Carolina residents received the top rating by "Savingforcollege.com." The Program's call center earned the top rating from National Quality Review for the third consecutive year. The Program undertook a redesign of its website to make it more user friendly and allow for on-line applications. 1,658 accounts were opened online since September 2009. At no cost to taxpayers, the Treasurer's Office partnered with VISA and the NFL Players Association to produce a DVD learning game for high school students teaching financial literacy. The DVD was distributed to every high school in the State. The Program continues to be very successfully operated with no taxpayer dollars.

**Local government accountability.** Thanks in large part to a law (Proviso 76.10) pushed by the State Treasurer's Office and passed by the General Assembly, the Treasurer's Office had over \$1 million dollars remitted to the State in delinquent court fines. Through advanced enforcement, the Office continues to receive dollars owed to the State by municipalities across South Carolina. The number of municipalities submitting annual audits to the State dramatically increased. Advanced training was provided by the Office to county treasurers and staff.

**Administrative Initiatives.** Through many hours of planning, preparation and training, the Office successfully implemented the SCEIS Human Resource/Payroll System on December 2, 2009. This consolidation of human resource and payroll activities has proven effective and efficient in reducing costs and providing easier access to payroll and personal information for employees through the internet. The Office also initiated a plan to aid the Student Loan Corporation by the investment of approximately \$100 million.

In summary, the State Treasurer's Office continues to provide essential core functions of government while striving to operate more efficiently and effectively. The Office successfully continues to find ways to reduce unnecessary spending and improve services.

## ORGANIZATIONAL PROFILE

**II.1. – II.2. Major Services and Key Customers of the State Treasurer's Office are:**

<b>Major Services</b>	<b>Key Customers</b>
Statewide banking and accounting services (receipt and disbursement of all funds) for all agencies and institutions	State agencies State employees and retirees State's vendors Taxpayers Local governments Recipients of other state disbursements
Investment services for all state funds, the Local Government Investment Pool, the Tuition Prepayment Funds, and custodial services for the South Carolina Retirement System funds	State agencies and institutions Local governments and school districts Contributors to and beneficiaries of the Tuition Prepayment Program Members of the South Carolina Retirement Systems
Debt issuance and management services for general obligation, revenue, and special debt issues	State agencies and institutions Holders of the State's GO and Revenue Bonds Holders of the State's Mini-bonds
Administration of the State's Unclaimed Property Program	Rightful owners of unclaimed property Holders of unclaimed property
Administration of the two College Savings Plans: South Carolina Tuition Prepayment Program and Future Scholar Program	Contributors to and beneficiaries of College Savings Plans Institutions of Higher Learning

**II.3. Key stakeholders** other than the direct customers of our services are the citizens of South Carolina and the Legislature.

**II.4. Key suppliers** are: other state agencies, banks and other financial service providers, investment advisors and custodial banks, the outside administrators of College Savings Plans, vendors of services and supplies, technology vendors, software providers and partners, holders of unclaimed property, and internet service providers.



**II.5. The State Treasurer's Office is located** on the 1<sup>st</sup> and 2<sup>nd</sup> floors of the Wade Hampton Office Building, Capitol Complex, Columbia, SC.

**II.6. The State Treasurer's Office has a total of 70 authorized full-time equivalents (FTEs)** of which 40 are state funded and 30 are other funded. At fiscal year end, we were operating with 84% of our authorized FTEs or 58.75 positions filled and 11.25 positions vacant. We also had four temporary employees. Our FTEs include the State Treasurer, 3 unclassified and 66 classified positions.

#### **II.7. Regulatory environment**

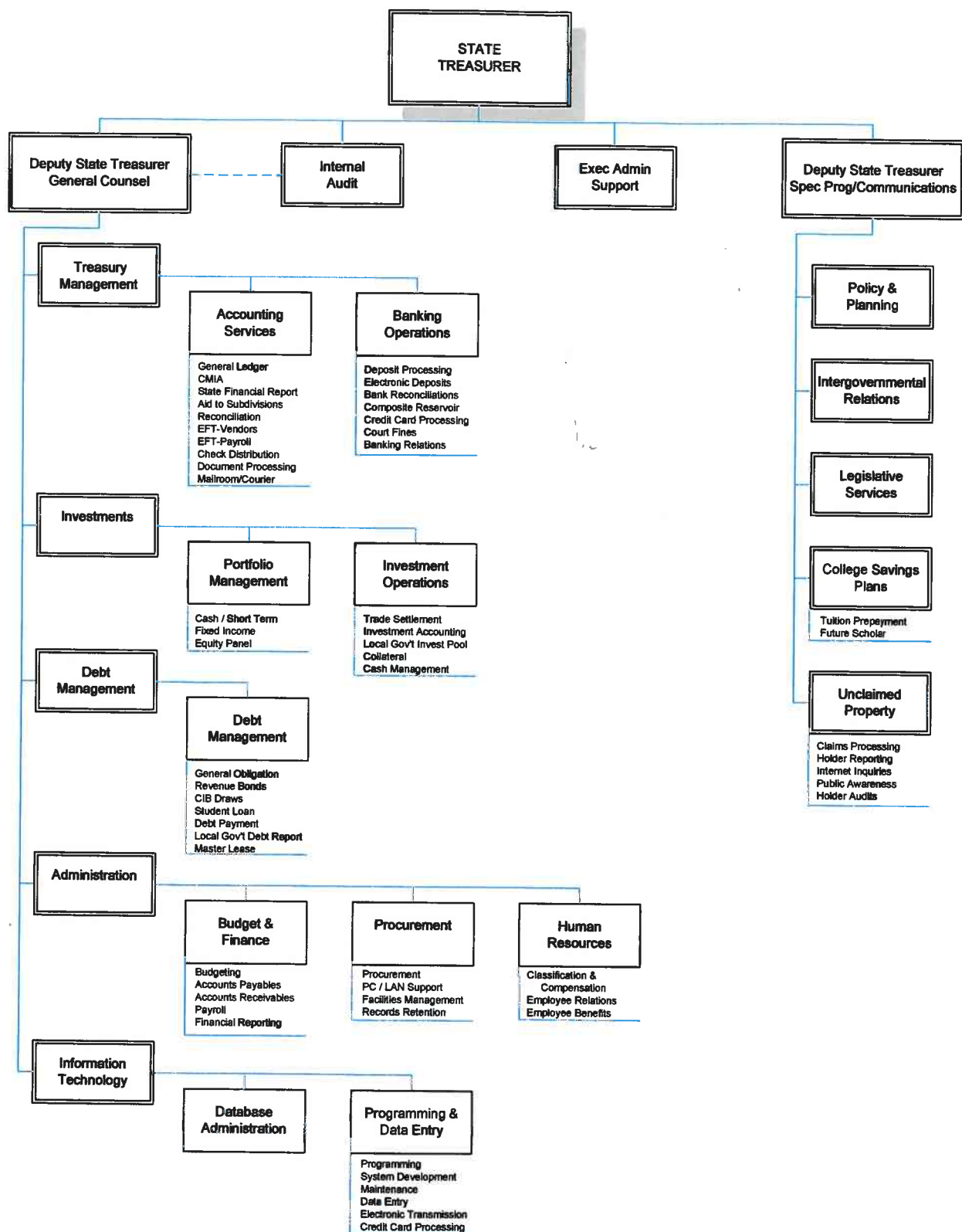
The Treasurer's Office operates under the same regulatory authority as other state agencies as far as OSHA, procurement (with certain exceptions), and personnel regulations. The Office is also subject to certain banking regulations (NACHA) regarding processing of financial transactions and MSRB regulations regarding filings for bond issues and other financing transactions such as those of the College Savings Plans. The Office is responsible for compliance with CMLA requirements and arbitrage rebate calculations.

#### **II.8. Performance improvement systems**

Trend analyses, as well as measurement of our results against peers and industry benchmarks, as noted in Section 7 – Results of this report, are our primary improvement systems. A motto of the Office is to find ways to do things "Better, Cheaper, Faster" and that goal is shared with our vendors and other business partners. The annual EPMS System discussed under Human Resources provides a way for each employee's goals to be tied to the Office's goals.

**II.9. The Organizational Chart** that follows indicates the primary functions of each division.

## SC Office of the State Treasurer



**II.10. The Expenditures/Appropriations Chart** that follows outlines the major spending categories of the budget.

### Accountability Report Appropriations/Expenditures Chart

#### Base Budget Expenditures and Appropriations

Major Budget Categories	FY 08-09 Actual Expenditures		FY 09-10 Actual Expenditures		FY 10-11 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	\$ 3,243,616	\$ 1,727,642	\$ 3,140,845	\$ 1,362,335	\$ 2,961,142	\$ 1,150,685
Other Operating	\$ 1,290,168	\$ 119,895	\$ 1,206,244	\$ 94,990	\$ 1,246,085	\$ 96,085
Special Items	\$ 10,477,478	\$ 1,721,585	\$ 7,465,234	\$ 970,428	\$ 4,000,722	\$ -
Permanent Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Case Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Distributions to Subdivisions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fringe Benefits	\$ 926,853	\$ 514,768	\$ 902,279	\$ 394,346	\$ 880,654	\$ 349,400
Non-recurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 15,938,115</b>	<b>\$ 4,083,889</b>	<b>\$ 12,714,602</b>	<b>\$ 2,822,099</b>	<b>\$ 9,088,603</b>	<b>\$ 1,596,170</b>

#### Other Expenditures

Sources of Funds	FY 08-09 Actual Expenditures	FY 09-10 Actual Expenditures
Supplemental Bills		\$ -
Capital Reserve Funds	\$ -	\$ -
Bonds	\$ -	\$ -



**II.11. The Major Program Areas Chart** lists the agency's major service programs of the total budget.

Program Number and Title	Major Program Area Purpose (Brief)	FY 08-09 Budget Expenditures	FY 09-10 Budget Expenditures	Key Cross References for Financial Results
II. Programs and Services	<b>Treasury Management</b> provides statewide services to all agencies and institutions by receipt and distribution of funds from all sources.	State: 776,460.00 Federal: 0.00 Other: 311,814.00 Total: 1,088,274.00 % of Total Budget: 7%	State: 638,331.00 Federal: 0.00 Other: 386,422.00 Total: 1,024,753.00 % of Total Budget: 8%	pages 23-24
II. Programs and Services	<b>Investments</b> provides statewide investment services to state agencies and institutions through investment of all state funds, management of cash liquidity, cash flow, and collateral.	State: 0.00 Federal: 0.00 Other: 1,153,202.00 Total: 1,153,202.00 % of Total Budget: 7%	State: 0.00 Federal: 0.00 Other: 1,078,041.00 Total: 1,078,041.00 % of Total Budget: 8%	pages 25-26
II. Programs and Services	<b>Debt Management</b> provides statewide debt management services for the State, its agencies and institutions by management of debt issues including debt structure and payments.	State: 120,070.00 Federal: 0.00 Other: 353,509.00 Total: 473,579.00 % of Total Budget: 3%	State: 0.00 Federal: 0.00 Other: 447,583.00 Total: 447,583.00 % of Total Budget: 4%	pages 27-28
II. Programs and Services	<b>Unclaimed Property Program</b> provides a statewide service to the citizens of South Carolina by returning various forms of property or money to the rightful owners.	State: 0.00 Federal: 0.00 Other: 798,852.00 Total: 798,852.00 % of Total Budget: 5%	State: 0.00 Federal: 0.00 Other: 960,546.00 Total: 960,546.00 % of Total Budget: 8%	pages 29-31
II. Programs and Services	<b>SC Tuition Prepayment Program (SCTPP) / SC College Investment Program (Future Scholar)</b> are college savings plans that allow families the option of saving now at great advantage for their children's college education.	State: 0.00 Federal: 0.00 Other: 480,956.00 Total: 480,956.00 % of Total Budget: 3%	State: 0.00 Federal: 0.00 Other: 525,105.00 Total: 525,105.00 % of Total Budget: 4%	pages 32-37
III. Special Items	<b>Student Loans-Teachers</b> are funds received and then disbursed to the Student Loan Corp pursuant to the Appropriations Act to fund student loans for teacher program.	State: 1,573,982.00 Federal: 0.00 Other: 8,755,893.00 Total: 10,329,875.00 % of Total Budget: 65%	State: 970,428.00 Federal: 0.00 Other: 6,494,806.00 Total: 7,465,234.00 % of Total Budget: 59%	
III. Special Items	<b>Prosecutor/Pub Defender</b> are pass through funds disbursed to the SC Student Loan Corporation to fund the Prosecutors and Defenders Public Service Incentive Program.	State: 147,603.00 Federal: 0.00 Other: 0.00 Total: 147,603.00 % of Total Budget: 1%	State: 0.00 Federal: 0.00 Other: 0.00 Total: 0.00 % of Total Budget: 0%	

**Below: List any programs not included above and show the remainder of expenditures by source of funds.**

<b>Remainder of Expenditures:</b>	State: 1,465,774.00	State: 1,213,340.00
<b>Support Systems</b> of the office include Administration, Information Technology, Legislative and Constituent Services.	Federal: 0.00	Federal: 0.00
	Other: 0.00	Other: 0.00
	Total: 1,465,774.00	Total: 1,213,340.00
	% of Total Budget: 9%	% of Total Budget: 9%

## **MALCOLM BALDRIGE AWARD CRITERIA**

### **III.1 – Senior Leadership, Governance, And Social Responsibility**

The State Treasurer leads the Office by example. His leadership style includes an openness to listen to different opinions and viewpoints in order to arrive at the best possible decisions for the Office, State Government, and ultimately, the State's citizens. He has an open-door policy and stresses transparency and accountability with all Office functions.

A management team of key staff meets weekly to discuss short-term and long-term progress on various program goals. As a team, they also use this time together to discuss any problems and challenges, and to explore solutions. The team then relays this information to the other staff members and seeks feedback from them.

Historically, the STO has benefited from an employee turnover rate that is lower than the state average. While this has benefited the Office with a stable work environment in past years, the Office may soon be challenged with a significant number of employees close to or eligible for retirement. The Office will strive to turn this challenge into an opportunity to further improve the Office.

### **III.2 – Strategic Planning**

The priorities of the State Treasurer's Office have remained largely consistent over the past six years:

- **Provide stable management of public funds**
- **Aid local government in the management of funds**
- **Promote public and higher education**
- **Bolster economic development**
- **Increase accountability, efficiency, and transparency**

To achieve its mission, the State Treasurer has relied upon his experience in business, in the Legislature, and as a trained Certified Public Accountant to evaluate ideas and suggestions presented to him whether by staff, industry professionals, or indirectly through educational forums and public discourse.

The strategic plan includes items to help address actions within the mission statement and include:

#### **Stable, accurate, and consistent management of funds:**

The first priority of the Treasurer's Office has remained the protection of all State dollars and financial resources while providing core banking, investment, and debt

management services to the State and local governments. With the continued and sustained economic downturn, the Treasurer's Office has worked aggressively to maintain the State's coveted high credit rating.

**The management of local government funds:**

The Treasurer's Office invests over a billion dollars for local governments, school districts, and other entities. The Office has provided a stable return while continuing to provide local governments almost immediate access to their funds. The Office provides training and guidance in an effort to help local governments remain financially healthy.

**Provide families and students opportunity to attain higher education:**

The State Treasurer's Office continues to operate one of the most recognized, highly rated and successful 529 College Savings Programs in the nation.

The number of "Future Scholar" accounts again grew dramatically over the past year. The percentage of participants who are South Carolina residents continued to rise with in-state accounts opened outpacing out-of-state accounts opened.

South Carolina's Future Scholar Plan has again been awarded the highest ratings by [www.SavingForCollege.com](http://www.SavingForCollege.com) which rates plans in each of the 50 states. In addition, we are proud that this successful program operates with no taxpayer dollars.

The South Carolina Tuition Prepayment Program (SCTPP), which was transferred to the State Treasurer's Office in 2000, continues to operate but remains permanently closed to new enrollees. Large tuition increases at the State's public colleges and universities have contributed greatly to an unfunded liability although that liability has been reduced over the past year due to positive investment gains. The current funded ratio is 70% of liabilities, or \$52,954,690. The Fund is now projected to run out of assets in Fiscal Year 2018.

The Office continues to provide the very best customer service to the remaining active account holders enrolled in the Program.

**Strategies for bolstering economic development:**

Through careful and aggressive planning, the State has maintained two Triple A and one Double A+ credit ratings. This strong credit rating has continued to help promote the State's reputation as a good investment choice.

The State Treasurer urged the General Assembly to bolster financial practices to strengthen the state's credit rating by accomplishing the following goals:

- 1) Increase the size of the General Reserve Fund. H.3395 (Act 152) and H.3396 (Act 296) were passed.
- 2) Implement spending caps.
- 3) Delay use of the Capital Reserve Fund during the fiscal year. H.3395 (Act 152) and H.3396 (Act 296) were passed.
- 4) Respond more quickly to reduced revenue projections. H.3395 (Act 152) and H.3396 (Act 296) were passed.
- 5) Create a government streamlining commission.
- 6) Eliminate the TERI Program.
- 7) Reinstate 30-year retirement.
- 8) Create a Department of Administration.
- 9) Shorten the legislative session.
- 10) Enact a biennial budget.
- 11) Reform and streamline the capital improvement project process.
- 12) Implement zero-based budgeting. Proviso 90.19 (SR: Zero Based Budgeting Study) was included in the 2010-11 Appropriations Act.

The Treasurer's Office worked with the General Assembly to pass legislation that will help in strengthening the State's current and future financial condition.

The Treasurer's Office worked aggressively with the General Assembly and the Department of Commerce in putting a financial plan in place to bring Boeing to South Carolina.

The Treasurer's Office has continued its BidSC Program making millions of dollars available to local banks to help make loans to businesses in their communities.

**Strategies for promoting greater accountability, efficiency, and transparency:**

Our goal to reduce and ultimately end the unnecessary printing and distribution of paystubs has moved forward. The Office has reduced the amount of paystubs by over 50% and that will increase to over 80% by October 1, 2010.

Not having to provide hard copies of paystubs to those who receive their pay electronically will save the State hundreds of thousands of dollars in printing and distribution costs. All data regarding an employee's current and historic payroll information are available to an employee on a secure website.

Our suggestion of moving the Department of Employment Security, now the Department of Employment and Workforce, to a debit card system with the Bank of America has come to fruition saving roughly \$5 million dollars a year. This card can be used to make purchases anywhere Visa debit cards are accepted. In addition to being able to get cash back from merchants with a purchase, claimants can get

cash from ATMs and from tellers at banks accepting Visa cards. Claimants should enjoy significant savings from check cashing fees.

The Treasurer pursued an initiative to have the State Investment Commission invest some of its funds with state firms and also utilized financial resources to stimulate business development in South Carolina.

The Treasurer was instrumental in moving the regulation of mortgage brokers to the State Board of Financial Institutions.

The Office responded to scores of "Requests for Information" in a timely manner while doing so at virtually no cost to the groups, citizens, and candidates requesting the information.

The Office, through its website, has made volumes of information available to the public which heretofore was maintained in Office documents.



## Strategic Planning Chart

Program Number and Title	Supported Agency Strategic Planning Goals/Objectives	Related FY 09-10 and beyond Key Agency Action Plan/Initiative(s) and Timeline for Accomplishing the Plan(s)	Key Results
1. Treasury Management	<p>1.1 Support agency banking needs</p> <p>1.2 Reconcile bank accounts and limit unrecorded deposits</p> <p>1.3 Distribute shared revenue</p>	<p>Communicate with agencies about their specific banking needs and through partnering with banking service providers, incorporate new services and technology where available</p> <p>Add sub-accounts for additional agencies, utilize additional features of online banking services, and further automate file transfer and reconciliation to facilitate timely reconciliations</p> <p>Utilize and regularly review automated systems to assure compliance with applicable distribution laws</p>	Pages 23-24
2. Investments	<p>2.1 Provide cost-effective, professional portfolio management services</p> <p>2.2 Maintain adequate collateral</p> <p>2.3 Optimize earnings through effective cash management while maintaining adequate liquidity</p>	<p>With a highly trained, professional staff and state-of-the-art portfolio management tools, manage fixed income funds internally and obtain the best returns within the prescribed parameters</p> <p>Utilize automated systems for timely monitoring and adjustment of collateral</p> <p>Utilize state-of-the-art cash management tools and practices. Employ proper cash forecasting models and communication with agencies to predict cash needs and to match investments with those needs</p>	Pages 25-26

3. Debt Management	<p>3.1 Pay all debt accurately and on time</p> <p>3.2 Close all new debt issues by deadline</p> <p>3.3 Issue debt at lowest rate possible</p> <p>3.4 Develop debt and finance policies that optimize value to the taxpayer and constituency</p>	<p>Utilize automated system for timely and accurate calculation and execution of debt payments</p> <p>Utilize experienced staff and outside advisors depending on the nature of the issue</p> <p>Maintain high credit rating through careful management of the rating agency relationship, provide advice and guidance to policymakers when appropriate, and maximize exposure of debt offerings</p> <p>Perform impact analyses and special studies as requested or warranted by the circumstances</p>	Pages 27-28
4. Unclaimed Property	<p>4.1 Increase amount of property returned to rightful owners</p> <p>4.2 Promote holder compliance with unclaimed property requirements</p> <p>4.3 Increase electronic reporting of unclaimed property</p>	<p>Increase public awareness of Program and continue to aggressively seek owners</p> <p>Promote holder awareness through outreach and education efforts</p> <p>Continue to provide downloadable reporting software via the internet</p> <p>Allow for the filing of the annual report via the internet with the remittances being made via ACH and bank wire</p>	Pages 29-31

5. College Savings	<p>5.1 Increase the number of college savings accounts within the programs, particularly among South Carolinians</p> <p>5.2 Expand internet services for Future Scholar, meeting customer expectations and enabling online account access</p> <p>5.3 Expand internet services for SCTPP account owners using online WAVE account services and the SCTPP website</p>	<p>Promote college savings to South Carolinians at all income levels and throughout the State</p> <ul style="list-style-type: none"> <li>Continue marketing the Future Scholar Plan with the collaboration of STO and Columbia Management</li> </ul> <p>Provide better online access to account holders of Future Scholar</p> <ul style="list-style-type: none"> <li>Form task force of representatives from STO and Columbia Management to meet weekly to discuss online issues and ways to improve online access and usability ( August 2010 – March 2011)</li> </ul> <p>Provide better online support and services for WAVE users</p> <ul style="list-style-type: none"> <li>Enhance Benefit Information section to display invoices which have been received and are in queue to be processed (Fall implementation: September – December 2009)</li> <li>Roll out an updatable school invoice tool to be placed on the SCTPP (Planning stages through September 2009 and implementation March 2010)</li> </ul>	Pages 32-37
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6. Local Government Services	6.1 Provide guidance on reporting of court fines and assessments to local government treasurers	Conduct annual court fines training for county and municipal treasurers	Pages 38 - 39
	6.2 Develop an electronic database of county and municipal audits	Request all local governments to submit mandated annual audits electronically to reduce the cost of printing and postage and to enhance data management (FY 2011)	
	6.3 Provide continuing education opportunities on services provided to local governments by the State Treasurer's Office	Continue partnering with the Dept. of Revenue to provide educational seminars for county treasurers through the South Carolina Auditors, Treasurers and Tax Collectors Association (SCATT)	

### III.3 - Customer Focus

As outlined in II.1-2., the State Treasurer's Office serves the citizens, state agencies, private sector, General Assembly and Executive Officers. Our daily work requires constant communication and interaction with our customers.

We rely on direct customer feedback to improve services to our customers. The State Treasurer's Office deals with the public on a wide range of issues and strives to resolve questions and respond to requests as expeditiously as possible.

We continually add links, downloadable documents, and other information online to reduce costs and response times. Throughout the year, changes are made to the Office's website in order to make it more informative and customer friendly to the people of South Carolina and to other State agencies.

Legislative inquiries are handled through a dedicated professional staff that coordinates research and provides accurate information on legislative matters.

The Treasurer's Office regularly participates in special projects to improve statewide processes.

Representatives of the agency make annual presentations to the South Carolina Governmental Finance Officers Association at both the Fall and Spring Conferences

and use those forums not only to disseminate information to others, but also to receive feedback from these customers and identify ways we can best meet their needs. Staff also served as presenters at the College and University Bursars Association meetings and at training for local governments on court fines and cash investments.

Our staff has answered all FOIA requests in a timely and efficient manner.

### **III.4 - Measurement, Analysis, And Knowledge Management**

The minimum standard for the Office is 100% compliance with statutory requirements in a timely manner.

Performance measures are incorporated into all operations of the agency. The measures used are selected by management to:

- Monitor compliance with management directives, goals, or objectives;
- Measure success of efficiency measures implemented; and
- Measure performance against industry benchmarks.

An inventory of key performance indicators shows the majority of measures used are in the areas of compliance, mission accomplishment, and customer focus. Comparative data and information is selected and used based on an intentional search for best practices and benchmarks relevant to our mission. Participation in national organizations such as the National Association of State Auditors, Comptrollers and Treasurers (NASACT), the National Association of State Treasurers (NAST), the College Savings Plan Network (CSPN), and other professional organizations in banking, cash management, investments, unclaimed property, and college savings plans provides exposure to comparative data and "best practices," many of which have been adopted.

Accuracy of data is assured through reconciliation and confirmation with external sources:

- Statewide accounting data is reconciled daily to the Office of the Comptroller General;
- Banking data is confirmed with the depository bank, custodian of investments, and the counter-party to transactions;
- The status of investment portfolios and performance results is measured by at least two external sources in addition to the internal process: the custodial bank and the independent investment advisor;



- Local Government Investment Pool transactions are confirmed with Pool participants through daily confirmations of transactions and monthly statements;
- Information on debt issues and payments is monitored and confirmed by external parties, including bond counsel, financial advisors, independent paying agents, bond holders, and the institutions served; and
- Internal administrative data such as budget status, procurement information, and payroll and personnel transactions are confirmed with statewide reporting systems and subjected to routine audit.

Agency data is subjected to annual audit directly by at least seven audit teams including:

- Statewide GAAP Audit Team for cash, investments, debt, and data processing control;
- Agreed Upon Procedures engagement of the agency;
- Local Government Investment Pool GAAP audit;
- Independent auditors for the Tobacco Settlement Revenue Management Authority;
- Independent auditors for the South Carolina Resources Authority;
- Independent auditors doing follow-up audits on Court Fine remittances; and
- Statewide single audit team for compliance with CMLA.

Indirectly, agency information is subjected to audit repeatedly through the audit confirmation process of the various agencies and institutions for which we serve as the State's bank.

### **III. 5 - Workforce Focus**

**1. How does management organize and measure work to enable your workforce to: 1) develop to their full potential, aligned with organization's objectives, strategies, and action plans; and 2) promote cooperation, initiative, empowerment, teamwork, innovation and your organizational culture?**

The State Treasurer's Office continues to use the Employee Performance Management System to promote dialogue between supervisors and employees regarding their work and performance expectations using measureable success criteria as a valuable evaluation tool. Management encourages cooperation and teamwork through cross training and professional development.

**2. How do you achieve effective communication and knowledge/skill best practice sharing across departments, jobs, and locations? Give Examples.**

Agency and departmental goals and objectives are discussed at regular staff meetings. Knowledge transfer is promoted through intra and interdepartmental cross training and through maintaining desk reference manuals to ensure business continuity.

**3. How does management recruit, hire, place, and retain new employees? Describe any barriers that you may encounter.**

Through short- and long-term planning, management evaluates the need to fill positions, which mostly become vacant through attrition. Once a need is determined, vacant positions are posted through OHR's State Jobs Website, our primary recruiting tool. The system allows for the application of specific job training questions and filters, which narrows applicant pools to the most qualified candidates. Selected applicants participate in an objective interview process. Once successful candidates are hired, in-house orientations and continuous training and professional development opportunities are provided to ensure employee success.

**4. How do you assess your workforce capability and capacity needs, including skills, competencies, and staffing levels?**

Managers routinely monitor the quality and quantity of staff workloads as well as the status of completion on short- and long-term projects to determine staffing levels and competencies. Managers and employees work together to identify resource requirements needed to accomplish present and future goals.

**5. How does your workforce performance management system, including feedback to and from individual members of the workforce, support high performance work and contribute to the achievement of your action plans?**

Agency management actively seeks employee input and feedback to evaluate and improve processes and to promote initiative and teamwork. Measurable and objective success criteria support high performance ensuring that agency goals and objectives are met.

**6. How does your development and learning system for leaders address the following: a) development of personal leadership attributes; b) development of organizational knowledge; c) ethical practices; and d) your core competencies, strategic challenges, and accomplishment of action plans?**

Management positions in the Treasurer's Office require very specific qualifications and experience that relate to the day-to-day functions of the agency. Leaders are encouraged to participate in professional development and personal growth training opportunities. Through weekly meetings, senior management shares ideas and communicates organizational knowledge across departmental lines.

**7. How do you identify and address key developmental training needs for your workforce, including job skills training, performance excellence training, diversity training, management/leadership development, new employee orientation, and safety training?**

Managers and employees work together to identify areas where additional job skills and training are needed.

**8. How do you encourage on-the-job use of new knowledge and skills?**

Implementing new technologies and improving daily processes have necessitated the development and use of new job knowledge and skills in the performance of day-to-day job functions.

**9. How does employee training contribute to the achievement of your action plans?**

Employee professional development and cross training ensures a well-trained professional workforce that continues to meet the agency's mission and provide exceptional customer service.

**10. How do you evaluate the effectiveness of your workforce and leader training and development systems?**

The State Treasurer's Office prides itself on the low turnover rate of employees. Our goal is to maintain a well-trained workforce prepared to progress in their careers as new opportunities arise. One measure of success is the availability of qualified internal applicants for vacant positions.

**11. How do you motivate your workforce to develop and utilize their full potential?**

Recognition of staff for their accomplishments continues to be an important responsibility of management. Efforts are ongoing through our Employee Reward and Recognition process to identify meaningful ways to motivate our workforce. Employees are honored with and recognized at an Employees' Appreciation Luncheon. Employees are encouraged to participate in agency and community

activities such as the United Way, Communities Health Charities, blood drives, the First Ladies' Walk for Life, and the Harvest Hope Food Bank.

**12. What formal and/or informal assessment methods and measures do you use to obtain information on workforce well-being, satisfaction, and motivation? How do you use other measures such as employee retention and grievances? How do you use this information?**

Employee well-being and satisfaction are informally measured through day-to-day interactions, discussions and departmental meetings. Employee motivation is more formally assessed through the employee planning and evaluation process. Exit interviews with employees leaving the agency are conducted to receive feedback in identifying and evaluating ways for improvement. The agency has experienced no grievances. Employee retention is an important focus of the agency as evidenced by our high retention and low rate of turnover.

**13. How do you manage effective career progression and effective succession planning for your entire workforce throughout the organization?**

The agency continues to review and update its succession plan by identifying those employees in critical needs areas who will be eligible to retire in the next 3 to 5 years. Discussions are ongoing with Division Directors to determine the needs of each division and to identify individuals with potential to step into leadership roles.

**14. How do you maintain a safe, secure and healthy work environment? (Include your workplace preparedness for emergencies and disasters.)**

The agency continues its commitment to its workforce by promoting employee well-being in a safe, secure and healthy work environment. Employee participation in benefits fairs, health screenings, mammograms and flu shots is encouraged and supported to ensure the health of employees. Routine reviews of office space and equipment are conducted to ensure the safety of employees. Managers and employees are encouraged to report any safety or health issues immediately. In case of emergencies, disasters, or evacuation, an Emergency Operations Plan is in place.

**III.6 - Process Management**

In Treasury Management, deposits, distributions, reconciliations, and financial reporting are time sensitive processes with an external customer focus. Deadlines are imposed either by legal mandate, management policy, or customer expectations. Constant monitoring of deadlines, exception reports, and other performance requirements drives day-to-day operations. In order to meet growing demands with limited resources, managers must continually look for ways to better utilize



automation for processing, verifying, and reporting information, and for identifying exceptions needing attention.

Systems tied to non-state entities are often driving forces for automation. Office systems are electronically tied to outside banks and service providers through electronic receipt and submission of data, credit card and Internet payment systems, electronic daily confirmations, and automated reconciliation systems. Likewise, the needs of the customer, primarily other state agencies and institutions, drive decisions as to how and when certain services will be delivered. Where possible, the State Treasurer's Office strives to standardize banking services to take advantage of efficiency of scale, while serving the diverse and sometimes unique needs of each customer at competitive rates.

The State Treasurer's Office continues to promote automated deposits systems, electronic vendor payments, and deposit sweep systems for colleges and universities, sub-account systems for depository accounts and remote deposit capture systems.

In the area of Investments, the Office is linked by the latest technology to market information, brokers, investment advisors, custodial banks, and accounting systems. To obtain the best investment opportunities within the guidelines of approved investments, the State Treasurer's Office maintains constant communication with securities professionals and uses on-line securities quotation services. The State Treasurer also receives expert advice from an independent investment advisory firm.

BidSC, the quarterly internet auction process for bidding on Certificates of Deposit continues to be an efficient and effective method of assuring the State the best rate on time deposits while allowing all financial institutions in the State an opportunity to bid for State deposits.

Objectives for investment of General and Other Funds are developed in conjunction with the State's investment advisor and adopted by the State Treasurer. In addition to daily monitoring and communication with investment advisors, twice monthly investment update meetings are held with the State Treasurer and investment staff to review economic and market conditions as well as investment direction. Monthly performance reports provided by both the custodial bank and investment advisor reviewed by staff, assure the performance requirements are reviewed regularly and processes are adjusted as market conditions dictate.

The overall objectives of the fixed portfolio for Retirement Funds are provided in the Statement of Investment Objectives adopted by the South Carolina Retirement System Investment Commission, of which the Treasurer is a member. Monthly reports provided by the custodial bank are reviewed by the Treasurer's Office as part of its ongoing custodial responsibilities.



In the area of **Debt Management**, the State Treasurer's Office continues to use internet-based technology in advertising bond sales and accepting bids. While this process saves printing and postage costs, it more significantly broadens the universe of potential bidders on the State's debt offerings.

The Debt Management System (DMS) provides a system of controls and automation for the Debt Management Division. This system provides mechanisms for record keeping and reporting, and provides automation for electronic debt payment through the Automated Clearing House to the State's paying agents. It also provides functionality for tracking agency payments for authorized capital projects to ensure timely and accurate payments for projects approved by the Joint Bond Review Committee and as appropriated by the General Assembly.

In administering the **Unclaimed Property Program**, and the **College Savings Plans**, two programs involving direct interaction with the general citizenry, promotion and education, customer expectations and customer-oriented delivery systems are the driving forces. Internet access to data and services continues to be the focus. Both systems are managed through outside vendor software systems designed specifically for the industry. By outsourcing these unique systems, the programs are able to take advantage of upgrades and best practices applicable to other states.

The **support systems** of the Office include Administration, Information Technology, and Legislative and Constituent Services. These systems are designed to assist the production areas by providing a well-qualified work force, adequate funds to support the mission and retain valuable staff, efficient data processing systems, accurate and timely data for decision making, and information and opportunities for input on legislative matters and constituent concerns.

Recognizing the importance of our **key supplier relationships**, the State Treasurer has built dedicated support systems for each of these type relationships. Through regular meetings with major suppliers of banking services, and agencies requesting new types of bank services, the Office has been able to forge partnerships with these suppliers. These partnerships have allowed us to take advantage of their industry experience and knowledge of our operations to recommend and help implement state-of-the-art solutions to specific banking processes, resulting in cost savings and more efficient, reliable and accurate systems.

### III.7 Results

#### 7.1 - Treasury Management

##### Program Cost:

	2005-06	2006-07	2007-08	2008-09	2009-10
State Funds	\$ 747,311	\$ 827,064	\$ 840,230	\$ 776,460	\$ 638,331
Other Funds	185,456	190,449	173,242	311,814	386,422
<b>Total</b>	<b>\$ 932,767</b>	<b>\$ 1,017,513</b>	<b>\$ 1,013,472</b>	<b>\$ 1,088,274</b>	<b>\$ 1,024,753</b>
<b>FTE's</b>	<b>16.80</b>	<b>15.80</b>	<b>15.90</b>	<b>15.25</b>	<b>15.50</b>
<b>Temporary Employees</b>			<b>1.00</b>		

##### Program Goals:

- To increase the number of electronic payments and reduce paperwork
- Reduce banking costs
- Maximize benefit of CMIA



##### Program Objectives and Key Results:

1. Increase the number of payments processed electronically.
  - 1.1 Increased the use of Electronic Vendor Payments and EFT payments to 46% of total payments and expanded the procurement card program (which reduces the number of individual disbursements required), allowing staff to process disbursements within the goal of 24 hours from request.

**Figure 7.1.1 - Comparison of Disbursements by Type**

	2005-06		2006-07		2007-08		2008-09		2009-10	
	Number	%	Number	%	Number	%	Number	%	Number	%
<b>Disbursements</b>										
Paper Checks	2,767,635	64%	2,672,063	61%	2,654,720	60%	2,359,721	54%	2,007,508	48%
Electronic Payments with Paper Confirmation	1,572,541	36%	1,695,861	39%	1,779,981	40%	2,010,973	46%	801,099	19%
Electronic Payments with Electronic Confirmation									1,400,412	33%
<b>Total Disbursements</b>	<b>4,340,176</b>	<b>100%</b>	<b>4,367,924</b>	<b>100%</b>	<b>4,434,701</b>	<b>100%</b>	<b>4,370,694</b>	<b>100%</b>	<b>4,209,019</b>	<b>100%</b>
<b>FTE's in Process Area</b>	<b>4.00</b>		<b>4.00</b>		<b>4.00</b>		<b>4.00</b>		<b>3.00</b>	

2. Increase the number of agencies using the electronic deposit system, focusing on the high-volume deposit agencies.

*Figure 7.1.2 - Comparison of Receipts by Type*

	2005-06		2006-07		2007-08		2008-09		2009-10	
	Number	%	Number	%	Number	%	Number	%	Number	%
Receipts:										
Manual Deposits	36,839	21%	38,293	22%	39,233	21%	34,733	18%	20,406	11%
Automated Deposits	90,913	53%	92,529	52%	96,841	53%	103,472	54%	117,862	63%
Credit card deposits	37,599	22%	41,628	23%	43,611	24%	46,979	25%	46,636	25%
ACH Deposits	6,967	4%	5,722	3%	4,452	2%	5,330	3%	2,496	1%
Total Deposits	172,318	100%	178,172	100%	184,137	100%	190,514	100%	187,400	100%
FTE's in Process Area	4.00		4.00		4.00		4.00		3.75	

2.1 Automated deposits and credit card deposits both utilize the electronic deposit system. These electronic postings accounted for 88% of all deposits processed through the STO. Deposits continued to be processed within the one-day requirement, utilizing enhancements already in place. By the end of the year, sixty-one state agencies had converted from their legacy accounting systems to SAP and began submitting deposits to the STO through SCEIS. As further implementation continues, the number of manual deposits should decrease.

3. Work with banks to analyze agency use and needs of available banking services.

3.1 The STO continues to meet with representatives from different banks on a regular basis to discuss current banking practices and new services available on the market. These meetings provide our office insight on possible enhancements or cost-saving practices to explore. This also presents an opportunity to discuss first-hand with bank vendors issues that may need attention on current services already being utilized by the STO.

## 7.2 - Investments

### Program Cost:

	2006-07	2007-08	2008-09	2009-10
Total Management Fees	\$ 805,212	\$ 847,206	\$ 1,153,202	\$ 1,078,041
Total Funds Managed	\$ 8,277,307,569	\$ 8,595,608,732	\$ 8,523,452,028	\$ 8,554,182,043
Cost as % of Funds Managed	0.0073%	0.0098%	0.0135%	0.0126%
FTEs	8.00	7.55	8.00	7.75
Temporary Employees		1.00		

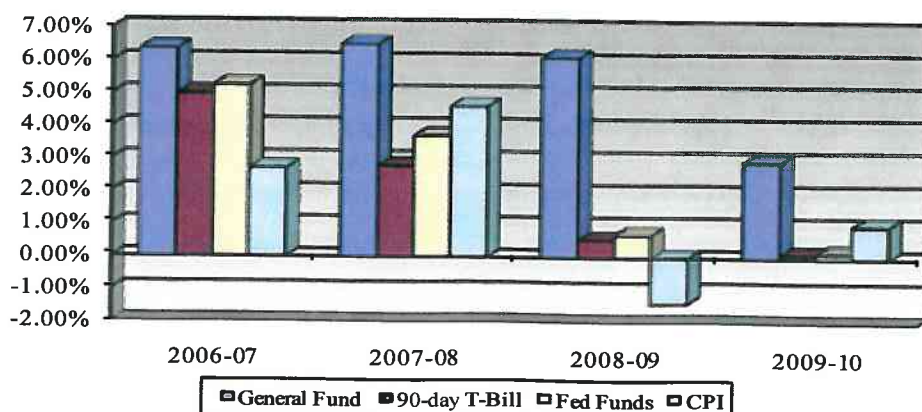
### Program Goals:

- To manage investment programs in accordance with S. C. Code Section 11-9-660 and other statutes of the South Carolina Code of Laws, 1976, as amended, as applicable, in an effective manner while:
  - Preserving capital;
  - Maintaining liquidity; and
  - Obtaining the best return within appropriate risk parameters.
- To invest all State funds pursuant to statutory authority and provide custodial services of the South Carolina Retirement Systems portfolios, which are structured to meet the long-term nature of pension obligations, in an effective manner.

### Objectives and Key Results for General and Other Funds:

- Obtain the best return within prescribed parameters on a portfolio basis, meet liquidity needs, and meet or exceed the applicable benchmarks while preserving capital.

**Figure 7.2.1 - General Funds Rate of Return compared to Benchmarks (Figure)**





- 1.1. The portfolio outperformed the benchmarks of 90-day Treasury Bills and Federal Funds by 2.83% and 2.80% respectively.
- 1.2. The State's Local Government Investment Pool (LGIP) earned an average rate of .48% compared to the average benchmark rate of .15% (90-day T-Bill).

**2. Provide professional investment services for all funds under management through efficient utilization of available resources.**

- 2.1. The STO provided investment services at a cost of .0126%, compared to an industry average of .10%. (Source: Jamison Eaton & Wood, Investment Advisors)
- 2.2. An increasing amount of LGIP participants continue to utilize the secure online system for managing accounts and conducting transactions.
- 2.3. The BidSC Program continues to be a success. The quarterly CD auctions resulted in increased earnings for the State of \$218,679.

**3. Meet or exceed the General Fund budget projection for investment earnings for the year.**

Earnings on General Fund investments were \$41,706,507 which fell below the investment earnings projection of \$51 million by \$9,293,493 due to the unusually low interest rate environment throughout the fiscal year.



*Treasurer Chellis constantly monitors investments which enables the Office to maximize return on every dollar.*

**Figure 7.2.2 - General and Other Funds Managed**

	2006-07	2007-08	2008-09	2009-10
<b>Workload - State and Local</b>				
General funds managed (average)	\$ 2,021,494,494	\$ 1,896,963,211	\$ 1,297,807,050	\$ 1,412,254,313
Restricted funds managed (average)	3,729,677,700	4,250,695,439	4,676,011,041	4,615,146,429
Tobacco funds managed	460,411,362	265,000	-	-
<b>Total State funds managed</b>	<b>\$ 6,211,583,556</b>	<b>\$ 6,147,923,650</b>	<b>\$ 5,973,818,091</b>	<b>\$ 6,027,400,742</b>
<b>LGIP funds managed (average)</b>				
LGIP funds managed (average)	\$ 2,065,724,013	\$ 2,447,685,082	\$ 2,549,633,937	\$ 2,526,781,301
LGIP Accounts	554	553	544	565
Number of State and local portfolios	20	20	19	19
Total number of investment trades (FY 2007 included fixed income trades for the S C Retirement System)	3,435	2,644	2,461	1,943



### 7.3 - Debt Management

#### Program Cost:

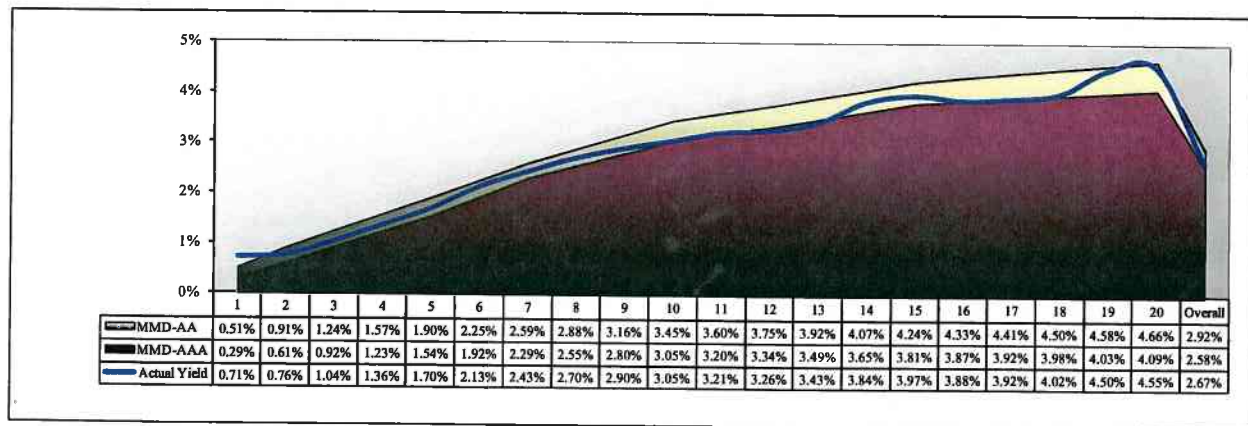
	Fiscal Year				
	2005-06	2006-07	2007-08	2008-09	2009-10
State Funds	\$ 427,365	\$ 345,402	\$ 179,112	\$ 120,070	\$ -
Other Funds	24,848	95,886	265,357	353,509	447,583
Total Funds	\$ 452,213	\$ 441,288	\$ 444,469	\$ 473,579	\$ 447,583
FTEs	5.75	5.00	5.00	5.00	5.00
Temporary Employees		1.00	2.00	2.00	1.00

#### Program Goals:

- Manage all debt issues for the State, its agencies and institutions to optimize debt structure and assure timely debt payments.
- Coordinate communications with rating agencies to maximize the State's credit rating.

#### Program Objectives and Key Results:

Graph 7.3.1 Comparison of bond yields



#### 1. Analyze the markets and structure the debt to assure the lowest rate of interest is paid.

1.1. On a composite basis, general obligation debt was issued at yields at the Municipal Market Data (MMD) yields for comparably secured MMD-AA securities. This is partially attributable to the changing interest rate environment, the state's credit rating, and the fact that the majority of general obligation debt issued during the period was state institution debt, which tends to price above the MMD-AAA scale.

1.2. For the fiscal year, the overall yield on general obligation debt issued was 2.67%, as compared to the MMD-AAA and MMD-AA yields for the same

period at 2.58% and 2.92%, respectively. The dollar significance of this difference is approximately \$5.22 million on the State's total interest cost of \$161.2 million for the \$653.9 million in general obligation debt issued during the previous fiscal year, thereby benefiting the State.

**2. Provide state institutions and agencies with guidance in effectively managing their debt issuances and programs.**

2.1. The Division assisted 9 institutions and agencies in financing \$988.54 million through 15 bond and master lease transactions.

**3. Provide information to credit rating agencies on a timely basis.**

3.1. The State Treasurer is directed by statute to maintain contact with the rating agencies and respond to all requests for information on a timely basis. The Division annually prepares a report to the agencies which was completed and reviewed in November, 2009. The Division also coordinated a meeting among legislative leadership in January, 2010, at which time, new legislative provisions for fiscal discipline and management, and reserve funding and restoration were introduced to the rating agencies, with favorable response. Revenue data were provided on a monthly basis, as published by the Board of Economic Advisors. Legislative and budget updates were also provided as developments in these areas occurred.

**4. Boeing Project**

4.1. The Division was instrumental in the development of legislation that supported economic development incentives for the Boeing project. The Division provided legislative guidance and advice to promote additional debt capacity and to optimize present capacity to support the issuance of \$270 million in economic development bond funding for the project. The bonds were issued at a true interest cost of 3.3%, one of the lowest borrowing cost transactions in modern state history.



**7.4 - Unclaimed Property Program****Program Cost:**

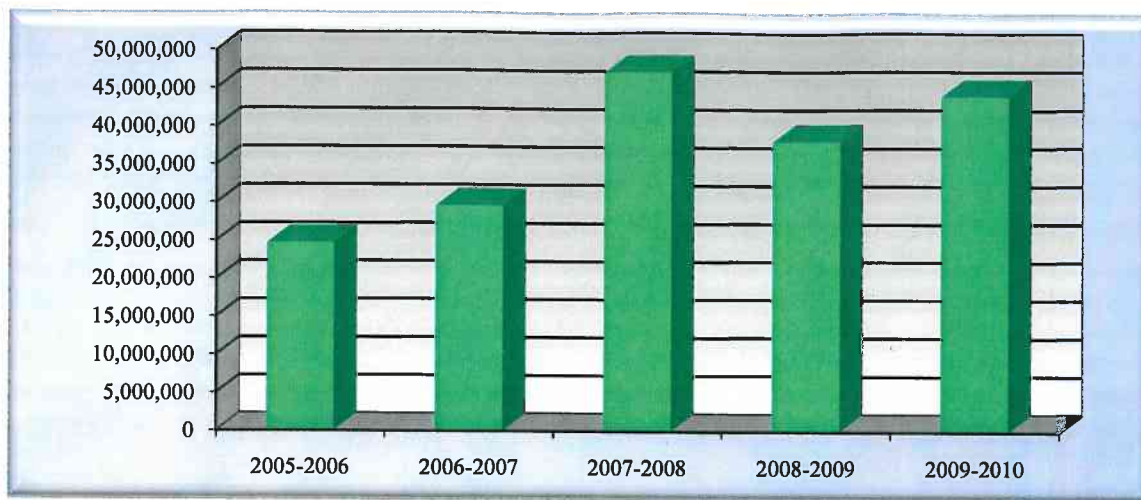
	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-2009</u>	<u>2009-2010</u>
State Funds	-	-	-	-	-
Other Funds	\$ 583,364	\$ 567,807	\$ 757,426	\$ 798,852	\$ 960,546
FTE's	7.75	9.75	10.45	10.50	10.75
Temporary Employees	1.00	-	2.00	2.00	2.00

**Program Goals:**

- Increase compliance with reporting.
- Increase accurate and prompt payments to rightful owners.
- Increase efficiency through use of technology.

**Program Objectives and Key Results:**

- 1. Increase compliance with the Unclaimed Property Act by increasing the amount remitted and the number of holders filing annual reports.**
  - 1.1. The amount of unclaimed funds remitted during FY10 increased 15.5 % from the amount remitted in FY09.
  - 1.2. Compliance efforts were further enhanced by presentations given by key staff at various business association functions.
  - 1.3. Paperless reporting procedures were instituted making reporting easier for businesses thus increasing compliance.

**Figure 7.4.1 Amount remitted as unclaimed property**

Note: The substantial increase in funds received during FY 2007-2008 and FY 2008-2009 was due to one-time events. The proceeds from the annual stock sale in August 2007 included 278,794 shares of unclaimed Metlife stock (@ \$62.20 per share) remitted as a result of the company's demutualization. Effective April 2008, the dormancy period for securities related property was reduced thereby causing a one-time increase in remittance due November 1, 2008. The FY 2009-2010 increase is attributable to increased compliance efforts.

**2. Increase claims paid to the rightful owners by increasing public awareness of the Program and through aggressive outreach programs.**

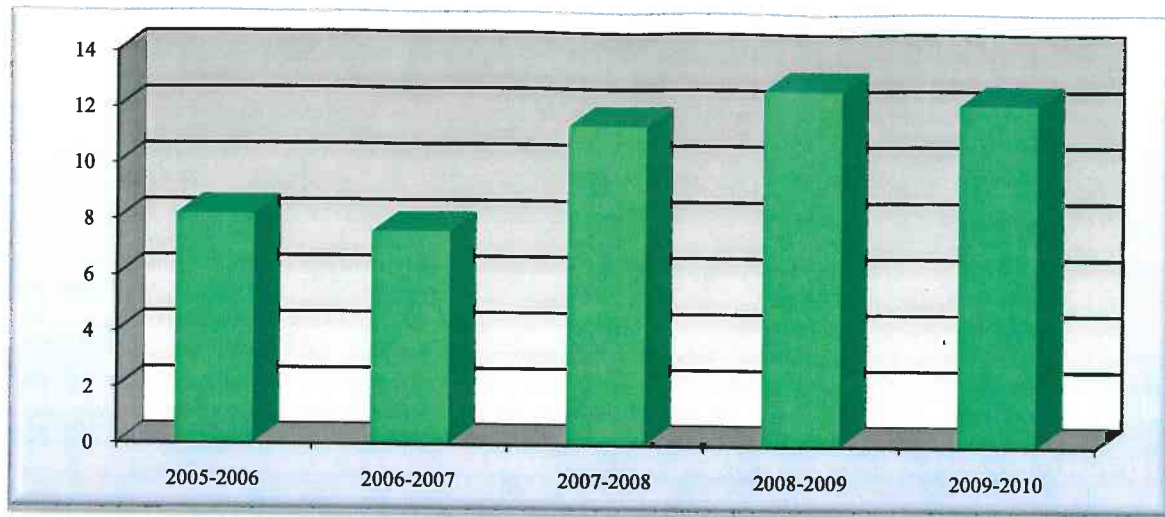
- 2.1. Increased the probability of money being claimed by rightful owners in the most cost-efficient manner possible through providing information to television stations and newspapers across the state to assist in the location of owners and to generally promote the Program.
- 2.2. Program was promoted through numerous speaking engagements at which lists of owners were distributed and through staffing on-air phone banks during which potential owners could locate their funds.
- 2.3. Continued the targeted outreach program wherein staff performed individual searches for owners of the largest amounts and for easily located persons and entities. Of the 13,629 claims totaling \$12,231,093 paid in FY10, 2,047 claims worth \$4,964,358 were paid due to these targeted research efforts.



*Treasurer Chellis personally returns money to Ms. Hattie Miller in Spartanburg. At 100, Ms. Miller is the oldest person in South Carolina, and one of the oldest in the U.S., to receive unclaimed property.*



**Figure 7.4.2 - Amount returned to rightful owners (in millions)**



**3. Increase and enhance Program efficiencies through the use of technology**

- 3.1. Provide and promote services via the Internet thus making it easier for the public to submit claims while keeping the cost of services down.
- 3.2. Treasurer Chellis instituted paperless reporting which allows holders to file their reports via e-mail and remit the funds electronically. Paperless reporting reduces the amount of paper staff has to handle, process, scan and shred.
- 3.3. All Program holder report files and paid claims files have been scanned eliminating the need to store vast amounts of paper and allowing for staff to quickly locate needed files.



**7.5 - College Savings Plans**

**South Carolina Future Scholar College Investment Program  
And  
Tuition Prepayment Program**

**Program Cost:**

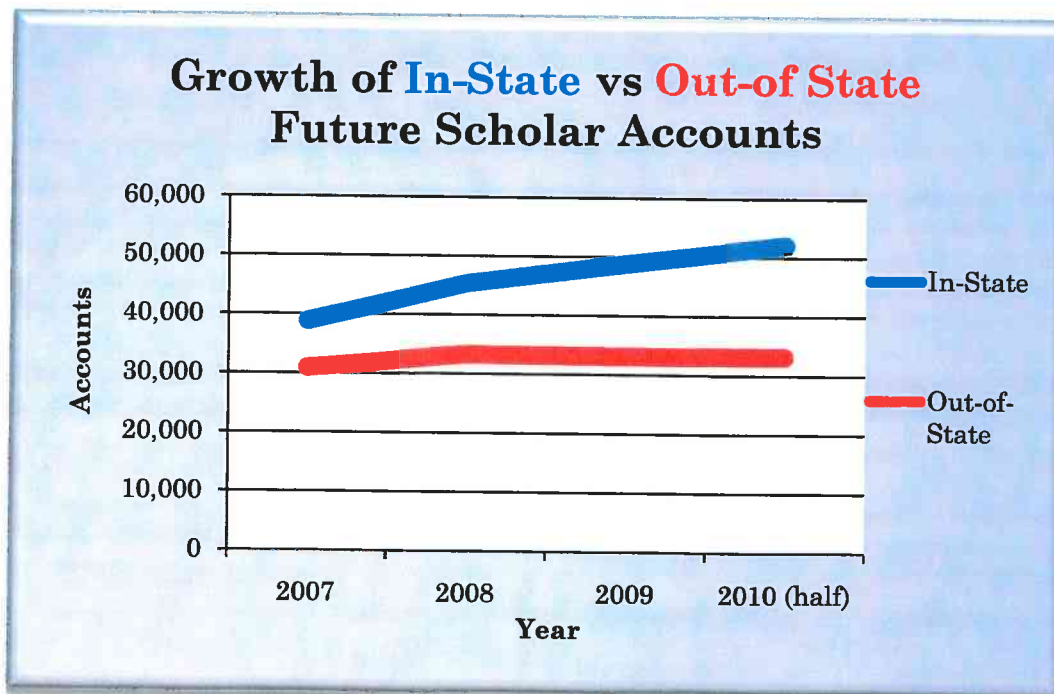
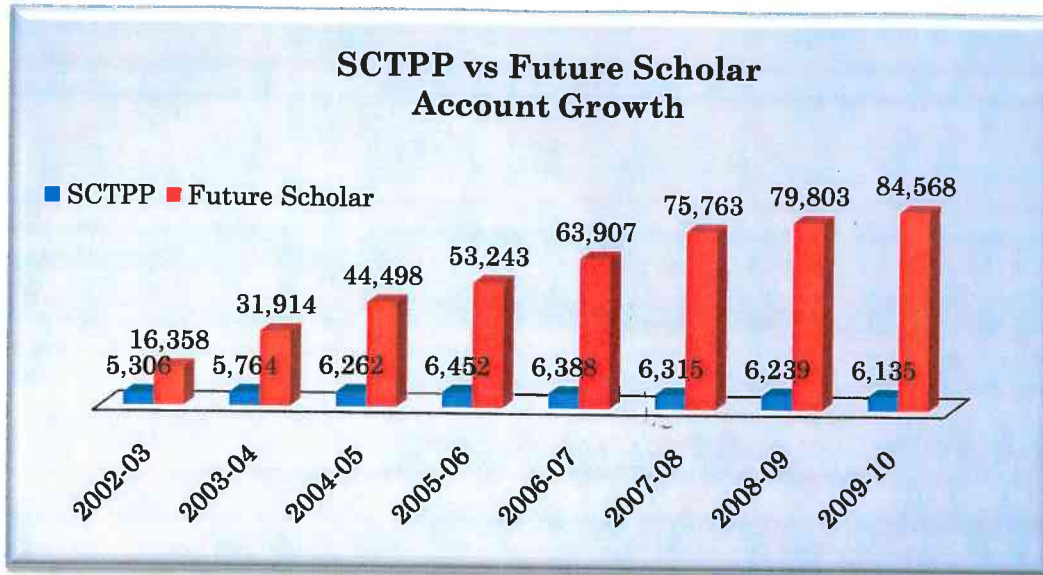
	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
State Funds	-	-	-	-	-
Other Funds	\$ 501,653	\$ 415,101	\$ 398,342	\$ 480,956	\$525,105
FTE's	2.20	2.20	2.60	2.75	2.25
Temporary Employees					1.00

**Program Goals:**

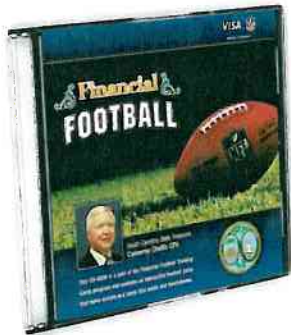
- Increase overall account openings in the Future Scholar 529 Plan with a specific focus of increasing account openings by South Carolina residents.
- Provide a top quality 529 College Savings Plan Investment Program to the residents of South Carolina and to residents of other states who may benefit from the advantages of investing in the Future Scholar Plan.
- Increase efficiency and usability of the various customer service outlets provided to participants and potential participants of the Future Scholar Plan including but not limited to the Future Scholar website ([www.futurescholar.com](http://www.futurescholar.com)) and the Future Scholar call center (1-866-244-5674).
- Continue to operate one of the nation's most highly rated 529 College Savings Programs without the use of any general funds or taxpayer dollars.

## Program Objectives and Key Results:

### 1.1 Increase participation in the Future Scholar Plan, especially among South Carolinians.



- Active Future Scholar accounts increased by 6% in the last fiscal year, up from the 5.3% increase in the previous fiscal year. Active accounts grew from 79,803 to 84,568.
- The ratio of participation in Future Scholar by South Carolina residents increased 3% from 58% to 61% of total accounts, up from the 1% increase in the previous fiscal year.
- Future Scholar initiated three statewide advertising and grass roots promotional campaigns to encourage families to save for college.
- Future Scholar advertising campaigns targeted South Carolina families with children ranging from newborns to high school age who might benefit from the investment and tax advantages of the Plan.



*The Treasurer's Office partnered with VISA and the NFL Players Association to produce a DVD learning game for high school students called "Financial Football." One copy was sent to each high school in the state and an on-line version is also available. The game teaches students about financial literacy and the importance of carefully handling financial resources. This was done without any cost to the taxpayers of South Carolina.*

## **1.2 Provide a top-grade 529 Investment Program.**

- The Future Scholar customer service call center responsible for fielding telephone inquiries for the Future Scholar 529 College Savings Plan earned a 5-star quality rating from the National Quality Review (NQR) for three consecutive quarters starting with the Quarter ending September 2009. NQR is a third-party vendor responsible for rating the quality of shareholder calls and providing benchmarking against other firms in the financial industry.
- Future Scholar's Direct Program (for South Carolina residents) has a 5.0 out of 5.0 rating at SavingForCollege.com. (Ratings are based on a program's flexibility, investment options, economic benefits, and add-on incentives).
- Future Scholar is ranked among the top 529 Plans for performance for Direct Sold Plans by SavingForCollege.com. (Ratings are updated on a quarterly basis).

**1.2.1 Enhance services available through the Internet thus making it easier for the public to submit applications, make account changes, and utilize benefits.**

**Future Scholar**

- Future Scholar continues to promote the use and efficiency of its web-based customer service feature through Future Scholar's online Account Access to increase customer service capabilities and satisfaction.
- In FY2010, Future Scholar launched a redesign of its customer-facing website ([www.futurescholar.com](http://www.futurescholar.com)), incorporating feedback from users as well as highlighting important information and actions such as gifting, opening an account and making contributions.
- In addition, Future Scholar enhanced online customer service capabilities and usability available through the Internet thus making it easier for the public to submit applications, make account changes, and take advantage of the features and benefits available to them through enrollment in the Plan.
- Future Scholar continues to research enhancements that will improve the online Account Access feature and plans to launch these in FY 2011. Future Scholar features ongoing promotion of the efficiency of using its web-based customer service features to increase customer service capabilities and satisfaction.
- In FY 2010, Future Scholar unveiled its online account application making it possible for customers to sign up for Future Scholar accounts via the internet:
  - ❖ Opened 1,658 accounts online since the service launched in September 2009.
  - ❖ Future Scholar is one of only several Direct Sold 529 Plans that offers an online application.
  - ❖ The online application has simplified the account opening process and provides a great way to promote the ease of opening a plan to constituents.

**1.2.2 Maintain low fees for Future Scholar Direct Plan (for SC residents).**

- The Future Scholar Direct Investment Program (a no-load program for South Carolinians) is one of the lowest priced plans in the nation, with total overall expenses ranging from 0.30% to .62%. (Source: Proprietary information reported to us by our outside administrator)



## **Tuition Prepayment Program**



- While new enrollment in the Tuition Prepayment Plan remains closed, the STO strives to continue to serve current clients with the best customer service.
- STO maintained the percentage of SCTPP contract holders making monthly payments by automatic draft at 40.9% as part of a continuing effort to reduce bank service charges and assure payments are made in accordance with the contracts.

### **1.3 Assure a well-trained, knowledgeable staff.**

- STO is committed to training employees on 529 Plans, best practices, and industry standards.
- STO maintains regular communication with Columbia Management and Intuition Systems, the program managers for Future Scholar and SCTPP respectively, to ensure industry standards and best practices are upheld and duties of the STO and obligation to the citizens of South Carolina, Future Scholar account owners, and SCTPP account owners are adequately met.

### **1.4 Insure operational effectiveness and efficiency.**

- Maintain oversight of the Future Scholar and SCTPP through regular contact with the program administrators, review of program plans and materials, and monitoring program results and rankings, customer satisfaction, and investment performance.
- STO meets regularly with members of Future Scholar's and SCTPP's program managers' senior leadership teams to ensure all aspects of each plan are performing as designed.
- STO regularly reviews plan performance, expenses and marketing to ensure the highest standard of plan quality.



*Treasurer Chellis traveled across the state to encourage young students to think about their futures and to begin saving for college.*



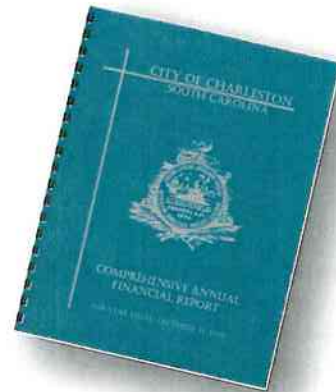
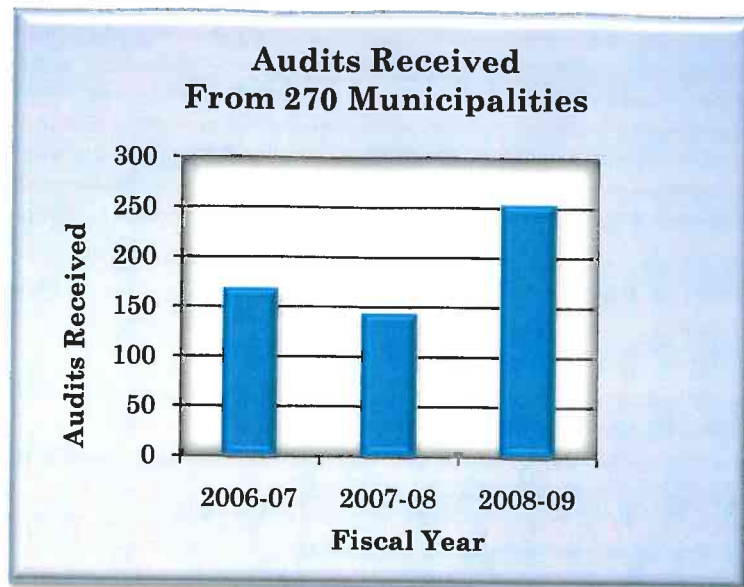
- STO participates in the College Savings Plans Network (CSPN), an affiliate of the National Association of State Treasurers that serves as a network for information among state-administered college savings programs. CSPN monitors federal activities and promotes legislation that will positively affect Section 529 Plans.

## **7.6 - Local Government Services**

### **Program Goals:**

Treasurer Chellis undertook a bold initiative to work with our State's local financial professionals in order to promote the best interests of the State's citizens. The Office began working to assist local governments with their responsibilities whenever possible. During the fiscal year, the following initiatives were accomplished:

1. Training for Treasurers
  - November 2009 at SCATT (S. C. Association of Auditors, Treasurers, and Tax Collectors) Conference – New Payroll and Benefits Training and Legislative Update
  - February 2010 at SCATT Academy – Collateralization, Banking and Local Option Sales Tax Training
  - May 2010 at SCATT Conference - Court remittance and Investments
2. Through its added responsibility of managing the state salary supplements for county auditors and treasurers, our office implemented the SCEIS Human Resource/Payroll system. County auditors and treasurers were provided training and information on how to access their pay statements and other personal information. This system has proven effective and efficient in reducing costs and providing current up to date payroll information through the internet.
3. Provided an online legislative report via the State Treasurer's web page that includes legislation affecting local governments. The report is updated as legislation is introduced.
4. To streamline the process of accounting for local government financial audits, the State Treasurer and the Comptroller General signed a memorandum of understanding in April 2010 for the purpose of ensuring the timely receipt of county financial audits and implementing the laws of the State. Per the memorandum, the two offices agreed to cooperate in the withholding of state funds to be distributed to counties when counties fail to submit audits as required. Proviso 76.10 (Penalties for Non-Reporting) provides for the withholding of state funds from municipalities.
5. To provide greater transparency, a list of counties and municipalities that are delinquent in providing audit reports is posted on the State Treasurer's web page.



6. Of 270 municipalities, 202 hold court and are required to submit court fines. All 46 counties are required to submit court fines. During the fiscal year:
- 252 out of 270 municipalities have submitted annual audits. State payments were being withheld from the 18 towns not submitting annual audits.
  - 44 of 46 counties submitted audits.
  - 10 towns submitted audits that showed an underreporting of court fines totaling \$1,016,567.
  - Payment plans to collect unpaid court fines were arranged.

## GLOSSARY OF ACRONYMS USED

CD	Certificate of Deposit
CMIA	Cash Management Improvement Act
CSPN	College Savings Plan Network – Division of NAST
DMS	Debt Management System
GAAP	Generally Accepted Accounting Principles
LGIP	Local Government Investment Pool
MMD	Municipal Market Data
MSRB	Municipal Securities Rulemaking Board
NASACT	National Association of State Auditors, Controllers, and Treasurers
NAST	National Association of State Treasurers
SCEIS	South Carolina Enterprise Information System
SCTPP	South Carolina Tuition Prepayment Program
STO	State Treasurer's Office
UPP	Unclaimed Property Program